

**ORGANIZATIONAL EXAMINATION**  
**OF**  
**ENDURANCE REINSURANCE COMPANY OF AMERICA**  
**AS OF**  
**SEPTEMBER 24, 2007**

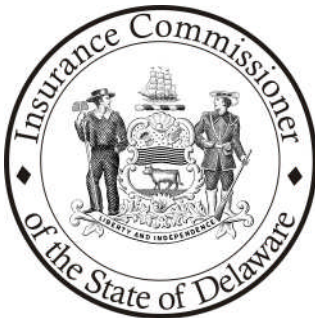
I, Matthew Denn, Insurance Commissioner of the State of Delaware, do hereby certify that the attached ORGANIZATIONAL REPORT ON EXAMINATION, made as of SEPTEMBER 24, 2007 of the

**ENDURANCE REINSURANCE COMPANY OF AMERICA**

is a true and correct copy of the document filed with this Department.

ATTEST BY: *Annette Handy*

DATE: 19 OCTOBER 2007



In Witness Whereof, I HAVE HEREUNTO SET MY HAND AND AFFIXED THE OFFICIAL SEAL OF THIS DEPARTMENT AT THE CITY OF DOVER, THIS 19TH DAY OF OCTOBER 2007.

*Matthew Denn*  
Insurance Commissioner

**REPORT ON ORGANIZATIONAL EXAMINATION**  
**OF THE**  
**ENDURANCE REINSURANCE COMPANY OF AMERICA**  
**AS OF**  
**SEPTEMBER 24, 2007**

The above captioned Report was completed by examiners of the Delaware Insurance Department.

Consideration has duly been given to the comments, conclusions, and recommendations of the examiners regarding the status of the Company as reflected in the Report.

This Report is hereby accepted, adopted, and filed as an official record of this Department.

A handwritten signature in black ink, appearing to read "Matthew Denn", is positioned above a horizontal line.

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MATTHEW DENN  
INSURANCE COMMISSIONER

DATED this 19TH day of OCTOBERE, 2007.

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## **SALUTATION**

September 24, 2007

Honorable Matthew Denn  
Insurance Commissioner  
State of Delaware  
841 Silver Lake Boulevard  
Dover, Delaware 19904

Dear Commissioner:

In accordance with instructions and pursuant to statutory provisions contained in Certificate of Authority No. 07.051, dated September 20, 2007, an Organizational Examination has been conducted of the

### **ENDURANCE REINSURANCE COMPANY OF AMERICA**

hereinafter referred to as "Company", incorporated under the laws of the State of Delaware as a stock company with its statutory office located at 1209 Orange St., Wilmington, Delaware 19801. The registered agent at such address is the Corporation Trust Company. The Company's main administrative office is located at 333 Westchester Ave., White Plains, NY 10604. This examination was conducted at the Company's administrative office.

The report of such examination is respectfully submitted herewith.

## **SCOPE OF EXAMINATION**

This organizational examination was conducted in conjunction with the Company's application for a domestic Certificate of Authority in the State of Delaware. I have reviewed the Company's Corporate Records, records applicable to and attendant with its application, as well as financial data as of September 24, 2007.

## **HISTORY**

The Company was incorporated on March 15, 2007, under the laws of the State of Delaware and authorized to issue five million (5,000,000) shares of \$1.00 par value shares. As evidenced by Certificate No. 1, all shares of the Company have been issued to Endurance Reinsurance Corporation of America (Endurance Re Corp.), giving the Company paid up capital of \$5,000,000.

## **MANAGEMENT AND CONTROL**

The Company's By-Laws, adopted March 15, 2007, state that the business and affairs of the Company shall be managed by a Board of Directors consisting of "not less than thirteen (13) nor more than twenty one (21) Directors", a majority of whom shall be citizens and residents of the United States and at least eighteen years old. As of the September 24, 2007 examination date, the Company maintained fifteen (15) Directors. The Directors are to be elected at the annual meeting of the Company's stockholder, to be held either within or outside the State of Delaware, on any weekday not more than 120 days, excluding holidays, after the fiscal year end of the Company. A quorum for Board meetings is defined as a majority of the number elected.

The following individuals were elected and qualified members of the Board of Directors as of this Organization Examination date:

**Directors**

Kenneth J. LeStrange	Chairman
William M. Jewett	President
Emily A. Canelo	Secretary
Michael E. Angelina	
Thomas P. Asquino	
William R. Babcock	
Thomas Bell	
David S. Cash	
James G. D’Onofrio	
Joan M. deLemps	
Steven K. Dresner	
Roger H. Heckman	
Edward T. Kenney, Jr.	
Michael J. McGuire	
Laura A. Shanahan	

All Directors of the Company were employees of, primarily, its sole stockholder, Endurance Re Corp. (NY), or its up stream parent, Endurance Specialty Insurance, Ltd. (Bermuda).

**Committees**

Pursuant to Articles III, IV, and V of the By-Laws, the Board of Directors may elect from its own members an Executive Committee, an Audit Committee and, other committees as the Board may from time to time determine. Any committee, to the extent allowed by law and provided in either the bylaws or resolution establishing such committee, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Company. As of the Organization Examination date, no committees had been established.

## **Officers**

In accordance with Article VI of the Company's By-Laws, the officers of the Company shall be a Chairman of the Board, a President, a Secretary, and other officers as may be designated by the Board and deemed advisable. Each officer shall be elected annually by the Board of Directors at their first meeting held immediately following the annual meeting of the shareholder and shall hold office at the pleasure of the Board and until their successors shall have been duly elected and qualified. Elected officers serving the Company as of the Organizational Examination date were as follows:

<b><u>Officer</u></b>	<b><u>Position</u></b>
Kenneth J. LeStrange	Chairman
William M. Jewett	President
Emily A. Canelo	Secretary and General Counsel
Katherine Mason	Chief Financial Officer

The NAIC Biographical Affidavits of the Company's Officers and Directors as included in its UCAA Primary Application were reviewed during this examination.

## **HOLDING COMPANY SYSTEM**

At formation, the Company became a member of an Insurance Holding Company System. Though not affiliated at the time, the Holding Company Registration Statement filed by the Company's parent, Endurance Re Corp., with the New York Insurance Department on April 30, 2007 was reviewed for the purposes of this examination. The review was without exception. The ultimate controlling parent is Endurance Specialty Holdings Ltd. (Endurance Holdings). As of December 31, 2006, Endurance Holdings possessed assets totaling \$6,926 billion and shareholder equity totaling \$2,298 billion. For the fiscal year 2006, Endurance Holdings had

earned net income of \$498 million on net premiums earned of \$1,638 billion and net investment income of \$257 million, (all numbers rounded).

As of December 31, 2006, the Endurance Group was rated A- (Excellent) by the rating agency A.M. Best, A (Strong) by Standard and Poor's, and A2 by Moody's.

An organizational chart of Endurance Holdings, as of April 30, 2007 is presented below:

**Endurance Specialty Holding Ltd (Bermuda)(BDA)**

Endurance Services Limited (UK)

Endurance Specialty Ins. Ltd. (BDA)

Endurance Worldwide Holdings Limited (UK)

Endurance Worldwide Ins. Limited (UK)

Endurance US Holdings Corp. (DE)

Endurance Elite Assurance Co. Ltd. (BDA)

Endurance Specialty Services Corp. (DE)

Endurance Specialty Ins. Mkt. Corp. of IL (IL)

Endurance Specialty Ins. Mkt. Corp. of CA (CA)

Endurance Specialty Ins. Mkt. Corp. of MA (MA)

Endurance Specialty Ins. Brokerage Corp. of NY (NY)

**Endurance Reinsurance Corporation of America (NY)**

**Endurance Reinsurance Company of America (DE)**

**Endurance American Ins. Co. (DE)**

**Endurance American Specialty Ins. Co. (DE)**

**American Merchants Casualty Co. (OH) – re-domestication to  
DE pending**

All companies listed were owned 100% by their named parent company.

As evidenced by its Board of Directors minutes, dated August 16, 2007, the Board authorized and directed that the President or Secretary of the Company sign and execute the Uniform Consent to Service of Process of any jurisdiction in the respective states designated. Including Delaware, all fifty states were designated.

## **PLAN OF OPERATION**

As obtained from its Plan of Operation (pending approval), and as evidenced by both its Board Minutes and as yet unexecuted Agreement and Plan of Merger, the Company was formed in order to facilitate the re-domestication of its parent, Endurance Re Corp., by merger, with the Company the surviving entity. As explained in the Company's Primary Application Endurance Re Corp. 'desires to re-domesticate from New York to Delaware in order to enhance its operational efficiencies, streamline its regulatory compliance efforts and reduce costs'. As evidenced by its Organizational Chart (above), two of Endurance Re Corp. wholly owned subsidiaries (Endurance American Ins. Co. and Endurance American Specialty Ins. Co.) are domiciled in Delaware and a third wholly owned subsidiary (American Merchants Casualty Co.) has applied to re-domesticate from Ohio to Delaware.

Endurance Re Corp. is currently licensed in 35 U.S. jurisdictions (including Delaware) and is an accredited reinsurer in 16 other U.S. jurisdictions. Given that the Company will be the entity surviving the merger, it is intended that the Company will apply for insurance licenses with identical lines of authority in each jurisdiction where Endurance Corp. is currently licensed or accredited before the Merger closes. Including its primary line of business, Reinsurance, Endurance Re Corp. lines of business include; but are not limited to: Property, Casualty, Healthcare Liability, Workers' Compensation, and Professional Lines. For the year ending 2006, gross premiums written for reinsurance (\$1,372 mm) were approximately 2 to 1 to its other lines of business (\$577 mm).

Upon completion of the Merger, the Company (as the surviving entity) will assume those then standing agreements, operations and, business practices of Endurance Re Corp., including but not limited to: Reinsurance Agreements, Intercompany Management, Service, Technology

and, Tax Agreements, Trust Agreements, Brokerage relationships, Fidelity Bonds and Other Insurance, Conflict of Interest, Accounting and IT Systems. With regards to these matters, the last filed examination of Endurance Re Corp. with the New York Department of Insurance, as of December 31, 2003 was reviewed without material exception.

### **CAPITAL AND SURPLUS REQUIREMENTS**

Section 511 (a) of the Delaware Insurance Code requires the following minimum capital and surplus amounts for a stock multiple line insurance company:

Common Capital Stock	\$500,000
Surplus as Regards Policyholders	<u>250,000</u>
Total Capital and Surplus	<u>\$750,000</u>

As shown in the section Financial Data, the Company possessed Capital of \$5,000,000 and Surplus as Regards Policyholders of approximately \$30,716,623.

## **FINANCIAL DATA**

The financial position of the Company as of September 24, 2007, as determined by this examination was as follows:

<u>Assets</u>		
<b>Note 1</b> Short Term Investments		\$ <u>35,716,623</u>
Total Admitted Assets		\$ <u>35,716,623</u>
<u>Liabilities, Surplus and Other Funds</u>		
Total Liabilities		\$ <u>-0-</u>
		\$ <u>-0-</u>
Common Capital Stock	\$ 5,000,000	
Gross Paid in and Contributed Surplus	30,716,623	
Surplus as Regards Policyholders		\$ <u>35,716,623</u>
Total Liabilities and Surplus as Regards Policyholders		\$ <u>35,716,623</u>

## **NOTES TO FINANCIAL STATEMENTS**

Note 1: Short Term Investments \$ 35,716,623

Total Short Term Investments reported of \$35,716,623, were on deposit with the Bank of New York and were confirmed through a review of the Company's Account Valuation Detail. Securities were put on deposit September 7, 2007.

## CONCLUSION

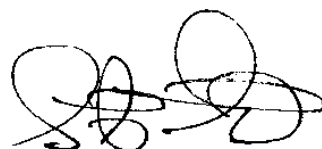
Based on the organizational examination conducted as of September 24, 2007, the financial condition of the Endurance Reinsurance Company of America was found to be as follows:

Assets	<u>\$ 35,716,623</u>
Liabilities	\$ -0-
Capital	5,000,000
Gross Paid in and Contributed Surplus	<u>30,716,623</u>
Total Surplus as Regards Policyholders	<u>\$ 35,716,623</u>
Total Liabilities and Surplus as Regards Policyholders	<u>\$ 35,716,623</u>

Upon completion of the organizational examination, the Company has complied with the capitalization requirements for the State of Delaware.

The examination was conducted by the undersigned.

Respectfully Submitted,



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Steven E. Guest, CPA, CFE  
Supervising Insurance Examiner  
Department of Insurance  
State of Delaware